GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:114
ANSWERED ON:17.07.2017
Impacts of GST on Petroleum Products
Adsul Shri Anandrao ;Patil Shri Shivaji Adhalrao;Raut Shri Vinayak Bhaurao;Shinde Dr. Shrikant Eknath;Shrirang Shri Chandu Barne;Singh Shri Sunil Kumar;Yadav Shri Dharmendra

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether due to exclusion of certain petroleum products on one hand and on the other hand inclusion of some petroleum products under Goods and Services Tax (GST) the compliance of both the existing tax as well as the GST regime is likely to double the cost and adversely affect oil and gas sector in the country;
(b) if so, the details thereof along with the reaction of the Government thereto;
(c) whether the Ministry of Petroleum and Natural Gas has taken up the matter with the Ministry of Finance;
(d) if so, the outcome thereof along with the likely impact of GST on the petroleum products and concrete steps taken by the Government to negate the adverse impact in the Petroleum sector; and
(e) the other steps being considered by the Government for the benefit of the consumers and the Petroleum sector in the country?

Answer

MINISTER OF STATE (I/C) IN THE MINISTRY OF PETROLEUM & NATURAL GAS
(SHRI DHARMENDRA PRADHAN)
(a) to (e) The Goods and Services Tax (GST) has been implemented wef 1.7.2017. Five petroleum sector items viz., Crude Oil, Natural Gas, Petrol, Diesel and Aviation Turbine Fuel (ATF), although included under the GST Constitutional Amendment Act, are presently, outside the scope of levy of GST, till such time they are notified, based on the recommendation of the GST Council. The sector is, thus, faced with a hybrid tax regime on account of being subject to levy of existing taxes i.e. excise duty and State sales tax for non-GST items and GST for the remaining petroleum products. The dual taxation system would lead to increase in the cost and burden of compliance. Further, the exclusion of five major petroleum sector items would result in substantial stranded taxes due to non-availability of input tax credit of GST paid on purchases intended for these excluded items.
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The concerns of oil and gas industry have been flagged by Ministry of Petroleum & Natural Gas to the Sectoral Working Group on Oil and Gas formed by the GST Council. As a result of the in-depth deliberations, in the Sectoral Working Group, a Notification has been issued, to levy a concessional rate of GST @ 5% on procurement of specified goods which are required for petroleum operations, instead of a standard/merit rate of GST.
The Government is carrying out massive awareness campaigns on various aspects of GST to ensure dissemination of GST related information for the benefit of consumers and also petroleum industry stakeholders. The Government has also appointed district-wise nodal officers to monitor the implementation of GST with a focus on resolution of difficulties being faced by consumers across the country. Ministry of Petroleum & Natural Gas has also operationalized a GST Technical Facilitation Cell to resolve GST related queries of various stakeholders in the oil and gas sector.
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